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Palo Alto's Housing Programs



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Palo Alto's Housing Programs

The Palo Alto Comprehensive Plan identifies housing as a key element and sets forth three housing objectives to maintain and enhance residential qualities:

1. Maintain the character and physical quality of residential neighborhoods;
2. Maintain a diversity of housing opportunities, especially opportunities for households with children. This means a variety of housing types and sizes, a mixture of ownership and rental housing, and a full range of housing costs; and
3. Increase the housing supply, especially for low and moderate income individuals and households with children, middle income households with children, and for those who work here.

In an effort to achieve these goals, Palo Alto has developed a variety of programs including the major ones described below. The City also contracts with the Palo Alto Housing Corporation, a private non-profit corporation established in 1969, to provide continuing consulting services to the City regarding affordable housing. More detailed information on these programs should be directed to the listed contact person, or call the City Planning Department, 329-2170.

Housing Quality



Housing Improvement Program

Palo Alto Planning Department
Barry Galvin, Program Manager, 329-2513

The Housing Improvement Program (HIP) has operated since 1974 and offers low interest rate loans City-wide to low and moderate income homeowners (80% or below median income for the County as established by Department of Housing and Urban Development [HUD]). By the end of 1985, 282 loans had been made. Only homeowners who have established residency in their homes are eligible to apply for HIP loans. A three-person loan Committee appointed by the City Manager will review applications and make loan decisions based upon credit history and ability to repay. Loan terms and conditions are as follows:

1. Maximum loan \$25,000;
2. Loan terms are 5% interest for a maximum of 20 years;
3. All loans secured by Deed of Trust;
4. Up to \$7,500 of any loan may have a repayment deferred until sale of property when the Loan Committee determines that hardship exists and the applicant is "very low income"; and
5. All loan balances become due and payable immediately upon sale or transfer of property.

Eighty percent of the loan proceeds must be used for code deficiencies with twenty percent of the loan proceeds allowable for general property improvements.

Non-Profit Facility Rehabilitation Program

Palo Alto Planning Department
Barry Galvin, Program Manager, 329-2513

This program was established in 1981 as a revolving loan fund to meet various rehabilitation needs of non-profit organizations. Organizations with one or more years of existence who serve primarily low and moderate income persons (80% of county median), or elderly and disabled persons, may qualify for low interest rate loans. Low and moderate income housing developments have been the principal beneficiaries of the program. Loan decisions are made by a four-person Committee appointed by the City Manager. Loan terms and conditions are as follows:

1. Maximum loan amount of \$20,000;
2. Funds will be loaned at 3% for a maximum term of 10 years. Payment may be deferred for up to 10 years according to ability to repay;
3. Upon sale or transfer of the property, the loan shall be due and payable with funds returned to be used for additional loans; and
4. All loans will be secured by Deed of Trust.

One hundred percent of the loan proceeds must be used to cover code deficiencies.

Senior Home Repair Project

Senior Coordinating Council of Palo Alto
Bill Kuntz, Program Manager, 326-6431

Since 1976 this project has provided minor home repair services to homeowners who are 60 years of age or older. Approximately 700 repair jobs are undertaken annually. Repairs are done by senior crafts persons who supply their services at lower rates. Seniors who cannot afford to pay the reduced labor costs are provided subsidies to make the work affordable. Services are limited to a maximum of \$250 per individual job.

Maintain Diversity of Housing Opportunities & Increase Supply of Low & Moderate Income Housing

Condominium Conversion Ordinance

City of Palo Alto
Attorney's Office, 329-2171

In order to maintain affordable multi-family rental housing and avoid the displacement of families and individuals, Palo Alto has adopted an ordinance which restricts the conversion of rental units to condominiums.

The ordinance applies to all conversions involving a change in ownership of three or more rental units. Applications for subdivision of property for conversions will only be accepted if the following conditions are met:

1. There exists a surplus of vacant rental units offered for rent or lease in excess of 3% of the available rental stock and that the proposed number of converted units does not exceed this surplus by more than 40%; and
2. Regardless of the vacancy rate, applications for subdivision will be accepted if (a) one below market rate rental unit is provided for every two non-below market rate units to be converted (according to City's Below Market Rate Program or Rental Housing Acquisition Program) and; (b) if the tenants of at least 2/3 of the rental units in the housing complex consent to convert to a condominium project.

Tenants are also granted the right of first refusal and persons 60 years or older must be offered lifetime leases. Tenants who do not qualify for lifetime leases must be offered a 10-year lease.

Copies of the ordinance containing further details are available from the Palo Alto City Attorney's Office.

Air Rights Development

City of Palo Alto, Real Estate Division
Bill Fellman, Real Property Manager, 329-2472

The City will consider creative proposals from private developers for "air rights" development over selected City assessment district lots. The program was established to aid in providing additional housing and parking in commercial areas. Air rights development guidelines were adopted by the City Council 1/7/80. Several of the key elements are:

1. Air rights development should be primarily for housing consistent with the Comprehensive Plan;
2. Air rights projects will be evaluated on the basis of public benefits provided (low-moderate income housing, additional public parking, energy conservation, etc.);
3. Air rights will be conveyed by long-term lease where possible, but sale of air rights is not ruled out;
4. An independent appraisal of the value of air rights will be obtained and except in unusual circumstances, the City will seek competitive bids; and
5. Significant extraordinary public benefits will be considered when determining compensation to the City for sale or lease of air rights. The emphasis is on obtaining non-monetary benefits such as expanding public parking and additional Below Market Rate housing units.

The City Council entertained the first proposal for an air rights development on Lot Q in the Downtown area. The project, Abitare, of 44 units was completed in Fall 1985. Nine of the units were sold under the BMR program.

Below Market Rate Program (BMR)

Palo Alto Planning Department
Toby Kramer, Planning Administrator, 329-2170

Palo Alto Housing Corporation
Sylvia Seman, Executive Director, 321-9709

The Below Market Rate (BMR) program has existed in the City since 1973. In this period 137 below market rate units have been committed, serving 172 families. In 1976, it was formally established as part of the Comprehensive Plan. Program 12 of the 1985-2000 Housing Element states:

"In housing developments of 10 or more units, not less than 10 percent of the units should be provided at below market rates to low and moderate income families. For each BMR unit provided, a developer shall be permitted to build one additional market rate unit up to a maximum unit increase over the allowable zoning of 15 percent, and consistent with all other zoning requirements."

The City of Palo Alto's BMR Program is intended to increase the housing supply for individuals and families who have low and moderate incomes. The primary objective is to obtain actual housing units rather than equivalent cash. Occupancy of BMR units is determined, according to City Council-established guidelines, from those on a numbered waiting list maintained for the City by the Palo Alto Housing Corporation.

The initial selling price of BMR ownership units is based on what would be affordable to families whose incomes are no higher than 120 percent of the median income related to family size, as established from time to time by HUD for Santa Clara County (BMR Income Guidelines).

BMR rental units are to be made affordable to families whose income is below the Section 8 income requirements for Santa Clara County established by HUD. Rents are set at 30% of the households income adjusted for family size up to the maximum Fair Market rent set by HUD. If a tenant is a Section 8 Certificate holder, the landlord may receive the maximum rent allowed by HUD under the Section 8 program (BMR Rental Guidelines).

Before acceptance of plans for review by Palo Alto City staff, a developer of a complex of ten or more residential units should agree to one or a combination of the following alternatives that are listed in order of priority. Provision by the developer and acceptance by the City of the BMR arrangement will be part of the application for development.

1. For each ten units developed, not less than one of the units should be provided as a BMR unit on-site. A density bonus of one market rate unit for each BMR unit provided is permitted, up to a maximum increase of 15%.
2. For each nine units developed, not less than one BMR unit should be provided elsewhere in the City, subject to approval of unit by City.
3. The City will consider an in-lieu payment alternative to actual units only if the developer substantiates that the direct construction and financing costs of the BMR units (excluding land cost, marketing cost, off-site improvements and profit) exceed the selling prices allowed by the BMR Income Guidelines.

The in-lieu payment is to be 3 percent of the actual sales price of each unit sold. The payment will be made to the City upon the sale of each unit in the subdivision.

Mortgage Revenue Bond Program

Toby Kramer, Planning Administrator, 329-2170
Naphtali H. Knox, Housing Bond Coordinator, Santa Clara County
(408) 299-4710

Since 1982, Santa Clara County, on behalf of the participating cities including Palo Alto, has initiated four single family bond issues for ownership housing and six multi-family issues for rental housing. Under the single family program, bond proceeds are used to provide below market rate, 30 year fixed rate mortgages to first time homebuyers who earn less than 150% of the County median income. Palo Alto has used the BMR program to assist purchasers of Below Market Rate units thus enabling lower income families to qualify for loans.

In January, 1984, the County sold approximately \$8 million in multi-family bonds to finance the Terman Apartments. The multi-family program requires that 20% of the units be made affordable to lower income households, in accordance with State and Federal requirements. Under the County program, the 20% units are divided as follows:

- a) Half of the 20% units (10%) shall be made affordable to families earning less than 80% of the County median income. Rents can be no higher than 30% of 80% of median income adjusted for family and unit size.
- b) The remaining 10% of the units shall be affordable to families earning less than 50% of the County median. Rents must be under 30% of 50% of median income adjusted for family and unit size.

The enabling legislation for tax exempt bonds at the State and federal level, is continuously changing. Refer to the listed staff members for current information.

Rental Housing Acquisition Program

Palo Alto Housing Corporation
Sylvia Seman, Executive Director, 321-9709

Palo Alto Planning Department
Toby Kramer, Planning Administrator, 329-2170

The Rental Housing Acquisition Program (RHAP) is a unique program funded by Community Development Block Grants and managed and operated by the Palo Alto Housing Corporation. Under RHAP the Housing Corporation acquires, rehabilitates, and operates existing rental housing primarily for low and moderate income persons. The City provides up-front purchase and rehabilitation financing only, with the project becoming financially self-supporting thereafter.

Four successful acquisitions totaling 43 units have taken place since the program was established in 1978. A 12-unit apartment building was acquired in 1980, a 16-unit complex was acquired in 1981 a six-unit apartment was acquired in 1984 and an 9-unit project in 1985. The Housing Corporation seeks Section 8 tenant subsidies for as many of the units as possible. Rents on the remaining units are kept as low as possible while maintaining quality housing which is financially self-supporting.

Land Bank Program

Palo Alto Planning Department
Toby Kramer, Planning Administrator, 329-2170

Since 1970, the City has operated a Land Bank Program which purchases sites to be developed for lower cost housing. The City generally resells the property at a reduced cost to developers who own and operate the housing. The Downtown Lytton School site was acquired in 1970 along with adjacent property in 1978. That site now contains 332 assisted units for the elderly. The Webster Block now contains 58 subsidized family units. A parcel in the California Avenue area was purchased in 1975 and subsequently developed with 56 assisted units for the elderly. In 1982, the City completed the acquisition, under the Land Bank Program, of a portion of the Terman Middle School. A 92 unit family and senior apartment project was developed and occupied in 1985. In early 1982, the Land Bank Program also assisted the Palo Alto Housing Corporation in acquiring the .9 acre Birch Court site developed with 40 units of for-sale condominium housing.

Funding for the program comes from four sources:

1. Community Development Block Grant funds
2. City General Fund;
3. Housing Reserve Fund which receives funds from two sources:
 - a. In-lieu payments from the Below Market Rate Program; and
 - b. Environmental mitigation payments from commercial and industrial developers. Developers building on sites with an excess of 20,000 developed square feet contribute funds to housing programs to mitigate the negative impact upon housing supply caused by new projects.



Housing Services

Fair Housing Services

Mid-Peninsula Citizens for Fair Housing
Richard Roe, Executive Director, 327-1718

The City seeks to work toward the elimination of housing discrimination based on race, religion, national origin, sex, age, marital status, or physical handicap. Through Community Development Block Grant funding the City supports the Mid-Peninsula Citizens for Fair Housing (MCFH). MCFH provides information, referral, checking and counseling services to prospective homeseekers. When necessary, MCFH refers cases to cooperating attorneys for legal action.

Tenant Landlord Information

Palo Alto Area Information and Referral Service (PAAIRS)
Jackie West, Executive Director, 856-4062

Palo Alto Area Information and Referral Service (PAAIRS) provides information over the telephone about community resources available to residents of Palo Alto and neighboring cities, and refers callers to appropriate agencies if more information is requested.

The organization also coordinates the activities of the City's Rental Housing Mediation Task Force by assigning cases to mediation and answering callers' questions about the rights and responsibilities of landlords and tenants; coordination of the Task Force's activities is funded through Community Development Block Grant (CDBG) program.

Senior Housing Counseling Program

Senior Coordinating Council of Palo Alto
Nancy Tiffany, 327-2811

The Senior Coordinating Council provides housing counseling and referral services to seniors seeking housing in Palo Alto. Sources of affordable housing for seniors are listed in a booklet published by the SCC. The organization also promotes shared housing through placement of seniors seeking a home, or wishing to share their home, with other individuals or single parents. This program is funded by the Community Development Block Grants.

Emergency Housing Shelter

Emergency Housing Consortium

Barry Del Buono, Executive Director, (408) 748-8625
(415) 323-0670

The Mid-peninsula Family Living Center in Menlo Park is a shelter for homeless families, which serves Palo Alto and neighboring cities. Families are permitted to stay for periods up to 30-60 days while they seek permanent shelter and receive counseling and training. The City has contributed to the rehabilitation of the facility through the Community Development Block Grant Program.



Programs for the Homeless

Urban Ministry

Reverend Lee Schmitt, 853-8672

The Urban Ministry provides counseling, employment assistance, and basic needs assistance to the single person homeless population of Palo Alto. Community Development Block Grant funds will assist in the administration of the services offered by the Urban Ministry.

Conclusion

The City, in conformance with the Comprehensive Plan, will continue to support new programs that meet the Plan's housing objectives. In the current era of scarce financial resources, the City will place greater emphasis on innovative housing programs which lessen the dependency on state and federal funds. The programs described here, together with new program efforts, seek to help Palo Alto provide a high-quality residential environment for the diversity of people who make up the Palo Alto community.

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